



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0508	Title:	Require Dept of Revenue to provide certain information on website; RSS feed
Primary Sponsor:	Lake, Bob	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$1,280,103	\$213,510	\$232,592	\$232,592
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$1,280,103)</u>	<u>(\$213,510)</u>	<u>(\$232,592)</u>	<u>(\$232,592)</u>

Description of fiscal impact:

HB 508 would impose new requirements on the Department of Revenue regarding dissemination of information to taxpayers, through website postings and direct mailing. These requirements will have a negative fiscal impact to the general fund.

FISCAL ANALYSIS

Assumptions:

1. This bill is effective on passage and approval. The Department of Revenue anticipates publishing figures for all commercial property in FY 2010; then complete 10% of commercial properties attributed to new construction each year until the end of the next reappraisal cycle.
2. To accomplish the tasks associated with this bill in the timeframe required, the department would need to contract with a consultant to conduct a capitalization rate study for each reappraisal cycle, by commercial structure type, to confirm the department's base and appropriate risk gradation schedules. The estimated cost for these services is \$50,000 in FY 2010.
3. This bill would require setting capitalization rates for each Class 4 commercial property each reappraisal cycle. This task would fall to the Department's Property Assessment Division. The estimated workload is

51,370 commercial properties @ 1 hour per property or 51,370 hours. It is estimated it would take 29.00 FTE to accomplish this task in the first year at a cost of \$856,702 in FY 2010 if handled internally. In subsequent years due to new construction, 10% of the commercial properties would be reviewed requiring 3.00 FTE at a cost of \$117,260 in FY 2011 and \$143,842 in FY 2012 and FY 2013.

4. The department will choose to contract work out instead of hiring 26.00 FTE and only hire 3.00 FTE permanently.
5. There will be increased operating costs including rent, communications, mailings, and training.
6. In the first year, the Property Assessment Division would need to notify 51,370 commercial taxpayers at an estimated cost of \$0.45 per notification or \$23,175 in FY 2010. In subsequent years, 5,137 taxpayers would be notified at an annual cost of \$2,320.
7. Similarly, the department's Business and Income Tax Division would need to develop additional, specific, centrally assessed property information for the website. The division estimates needing 1.00 FTE for each year of the biennia at a cost of \$69,042 in FY 2010 and \$64,542 in each year thereafter.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
FTE	4.00	4.00	4.00	4.00
<u>Expenditures:</u>				
Personal Services	\$174,106	\$174,106	\$200,688	\$200,688
Oper. Exp. - Cont. Serv. - Capit. Study	\$50,000	\$0	\$0	\$0
Oper. Exp. - Cont. Serv. - Capit. Rate Work	\$1,016,593	\$0	\$0	\$0
Oper. Expenses - Other	\$31,904	\$31,904	\$31,904	\$31,904
Equipment	\$7,500	\$7,500	\$0	\$0
TOTAL Expenditures	<u>\$1,280,103</u>	<u>\$213,510</u>	<u>\$232,592</u>	<u>\$232,592</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,280,103	\$213,510	\$232,592	\$232,592
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,280,103)	(\$213,510)	(\$232,592)	(\$232,592)

Technical Notes:

1. Proposed Section (1)(c) is inconsistent with 17-7-111, MCA, and would require the department to generate an entirely new reporting scheme, at additional costs. Furthermore, the results referenced by the proposed language appear to be a determination made by the legislature. See 17-7-111(3)(c), MCA. The present bill provides no guidance or mechanism under which the department would obtain the information and implement this requirement.
2. Section 1 subsection (f) requires that the supporting information on capitalization rate studies for centrally assessed, industrial, and commercial property and the justification for including each of the companies or properties in the study be on the department's website. Income and expense information provided by individual taxpayers is used in the determination of a capitalization rate for commercial properties. By law, this information is deemed to be confidential and therefore cannot be made available to the general public.
3. Section 1(e), 1(f) and 3(b) (ii) of the bill require the department to post the capitalization rate(s) used by the department in determining property values and supporting information on capitalization rate studies

for centrally assessed, industrial, and commercial property valuations be posted on the Department Website by March 1 of each year. Under current law, 15-7-111(3), MCA, provides for the periodic revaluation of all property in classes 3, 4, and 10; therefore, the information required by New Section 1(e)(f) and 3(b)(ii) would be updated every six years, not annually as this bill requires.

4. Section (1)(e)(ii) does not accurately reflect the procedures and methods employed by the department in calculating assessed property values for centrally assessed property. Capitalization rate studies are not used to determine income indicators. Subsection (e)(ii) needs an amendment to strike “income as an indicator of” to accurately reflect the department’s methods. Subsection (3)(c) would require the department, after posting the capitalization rate study and underlying materials, to “accept” comments on the study. From the context of the bill, it is unclear how “accept” is intended in the bill.
5. Proposed Section (3)(c) as currently written is vague, and as a result may be read in such a manner as to pose an unreasonable and improper restriction on the department’s statutory charge to administer taxation within the state.
6. As noted in the costs to the department, the requirements in Section 1 cannot be met by the July 31st deadline in 2010 without significant contract service costs incurred by the Property Assessment Division. The Business and Income Tax Division is not able to meet the July deadline since the information from centrally assessed companies is not provided until April.

Sponsor’s Initials

Date

Budget Director’s Initials

Date